



ANNEXURE C

EXECUTIVE SUMMARY

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BACKGROUND

The MTREF outlines KDM's revenue and expenditure plans for the next 3 years. It especially explains how funds will be spent in order to deliver sustainable services to the community. The MTREF is therefore designed to provide a general overview of KDM's finances and demonstrate its responsibility for the monies it receives.

The goal of the MTREF is to build a better life for all the people within KDM's jurisdiction. It takes into account the long-term financial planning strategy of KDM and is in line with its process of continuous improvement.

The entire budget process is directed by Section 21 of the MFMA. The Mayor is responsible for co-ordinating the preparation of the MTREF and the review of the IDP and budget-related policies. The MM, the CFO, the BSC and the BTO assist the Mayor in developing and implementing the budget process. KDM has no municipal entities.

- **KDM's MTREF complies with all legal requirements:**

1. The Constitution 1996 (Act No. 108 of 1996)
2. The Local Government: Transition Act 1993 (Act No. 209 of 1993)
3. The MSA
4. The MFMA
5. The Municipal Structures Act 1998 (Act No. 117 of 1998)
6. Municipal Budget & Reporting Regulations issued by NT
7. MFMA Circulars published by NT
8. Division of Revenue Act

- **The MTREF is influenced by the following elements:**

1. Producing a balanced and credible budget
2. Delivering quality services on the ground
3. Cost increases
4. Tariff increases
5. Debt recovery
6. Asset management
7. Borrowing levels

CHALLENGES

Tough decisions are necessary to ensure that KDM successfully delivers on its programmes.

- **The current challenges faced when developing the MTREF include:**

1. Urgent repairs and maintenance
2. High service demands
3. Strict budgetary controls
4. Staff shortages
5. High levels of poverty and unemployment
6. Capital spending pressures to eradicate infrastructure backlogs

- **As a result of constraints on revenue, priority was given to:**

1. Protecting the poor from the worst impacts of the economic downturn
2. Expediting spending on capital projects that are funded by conditional grants
3. Supporting meaningful LED initiatives, especially those that encourage job creation
4. Urgent repairs and maintenance necessary for KDM's revenue-generating assets

MTREF HIGHLIGHTS

The MTREF 2012/2013 – 2014/2015 is covered comprehensively in Tables A1 to A10 and Supporting Tables SA1 to SA37.

- **The Budget Year 2012/2013**

	2012/2013	2011/2012	% Increase
Operating Expenditure	R 932 346 446	R 813 163 862	14.65%
Capital Expenditure	R 444 416 251	R 390 852 537	13.70%
	R1 376 762 697	R1 204 016 399	14.34%

1. The Total Budget amounts to R 1,376 billion
2. A total of R 35 million has been earmarked for EDP, of which
 - R29,8m for Housing Projects
 - R 4,5 million has been budgeted for Rehabilitation of KwaDukuza Museum and
 - R1,1 million for LED projects
3. R 20 million for the NDPG Programme in the Municipal Managers Office.
4. R1.1 million has been set aside for Corporate Governance directorate.

5. R0,2 million has been earmarked for the Finance Directorate.
6. An amount of R 1.1 million is budgeted for the Refuse Removal services.
7. The amount set aside to upgrade sports and recreational facilities amounts to R 6.2 million.
8. R 2.1 million has been reserved for the Testing Station.
9. Other key items of the Municipal Services Capital Budget include:

DEPARTMENT	BUDGET
Child Care Services	R 1,5 million
Protection & Crime	R 1,055 million
Cemeteries	R 1,5 million
Fire & Emergency	R 0,5 million

10. The Civil Engineering budget of R 192,2 million will fund the improvement of

- MIG Sportsfields
- Community halls
- Public Ablutions
- Civil Administration and Operations
- Roads and Storm water Infrastructures
- Sports facilities

11. The Electrical Services Department will receive R 176 million

12. The Operating Budget reflects an overall surplus on operations of R 39 847.

Asset Management

The MFMA Local Government Capital Asset Management Guideline 2008 calls for the establishment of an AMC. The AMC specifies asset management project outcomes; set asset management timetables and approve all asset management progress reports. The AMC held meetings during the current financial year. KDM recently undertook an extensive asset verification process. It must also be noted that, in accordance with the relevant regulations, the Fixed Asset Management Policy of KDM is reviewed annually.

Provision of Free Basic Services

The indigent registration campaign is currently underway. At present, all indigent customers qualify for free basic electricity (set at a prescribed number of kWh). Indigent Support is financed from the Equitable Share grant funding. KDM has an Indigent Policy in place, which also states that all indigent customers are required to register each year for free basic services. Application forms are available at KDM Offices.

Capital Expenditure over the MTREF

The Capital Budget focuses on the IDP objectives and KDM's infrastructure needs. Due to limited resources, KDM has to prioritise its spending.

Capital Expenditure amounts to:

2012/2013	2013/2014	2014/2015
R 444 416 251	R 174 654 124	R 179 145 042

The Capital Budget comprises of:

	2012/2013		2013/2014		2014/2015	
	R	%	R	%	R	%
Executive and Council	20 572 000	4.63%	0	0%	7 092 000	3.95%
Budget and Treasury Office	200 000	0.04%	0	0%	0	0%
Corporate Services	3 700 000	0.83%	3 600 000	2.06%	1 800 000	1.00%
Community & Social Services	17 078 740	3.84%	7 100 000	4.07%	238 000	0.13%
Sport and Recreation	14 340 567	3.23%	6 100 000	3.49%	0	0%
Public Safety	5 706 173	1.28%	2 550 000	1.46%	0	0%
Planning & Development	500 000	0.11%	6 300 000	3.61%	0	0%
Housing	29 825 000	6.72%	30 000 000	17.17%	30 000 000	16.74%
Road Transport	175 418 161	39.47%	83 929 728	48.06%	88 194 133	49.23%
Trading Services:						
Electricity	175 975 610	39.60%	35 074 396	20.08%	51 820 909	28.95%
Waste Management	1 100 000	0.25%	0	0%	0	0%
	R 444 416 251		R 174 654 124		R 179 145 042	

How the Capital Budget is Financed

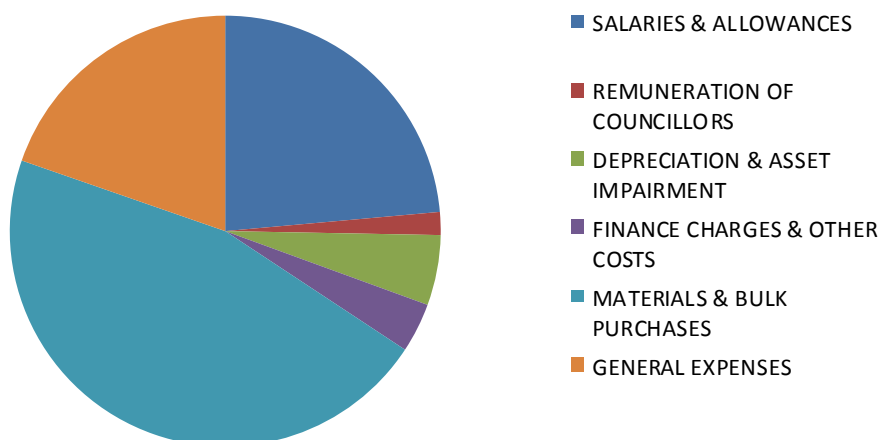
The projected financing sources of the Capital Budget for the period of the draft MTREF consist of:

	2012/2013		2013/2014		2014/2015	
	R	%	R	%	R	%
Internal	158 975 822	35%	73 957 596	42%	34 273 600	19%
External						
Grants	91 874 002	21%	73 078 000	42%	76 284 000	43%
Loans	193 566 427	44%	27 618 528	16%	68 587 442	38%

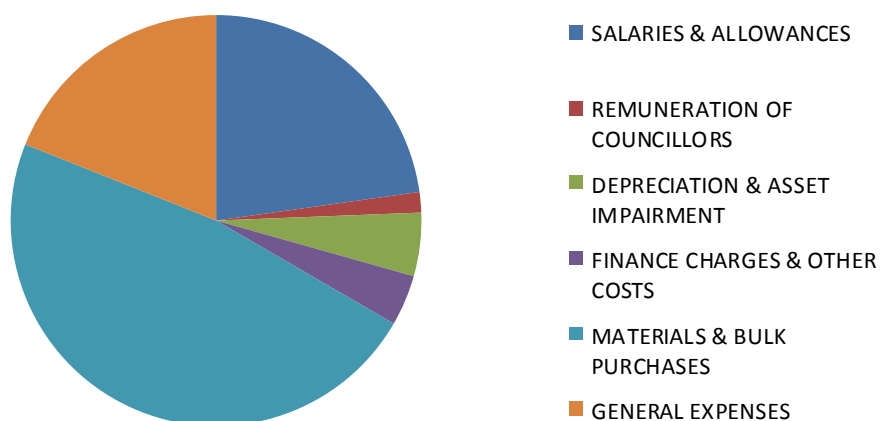
Total planned Capital Expenditure over the MTREF amounts to R 798 215 417.

Summary of the Operating Budget over the MTREF

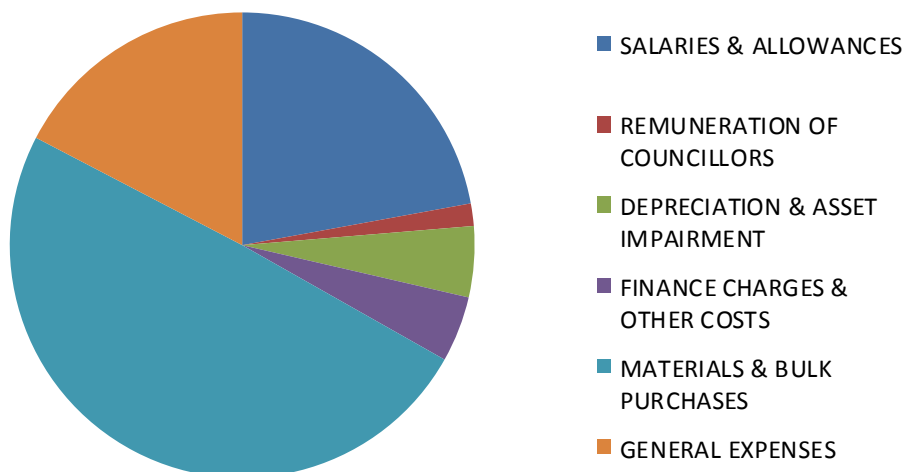
TOTAL EXPENDITURE 2012/2013



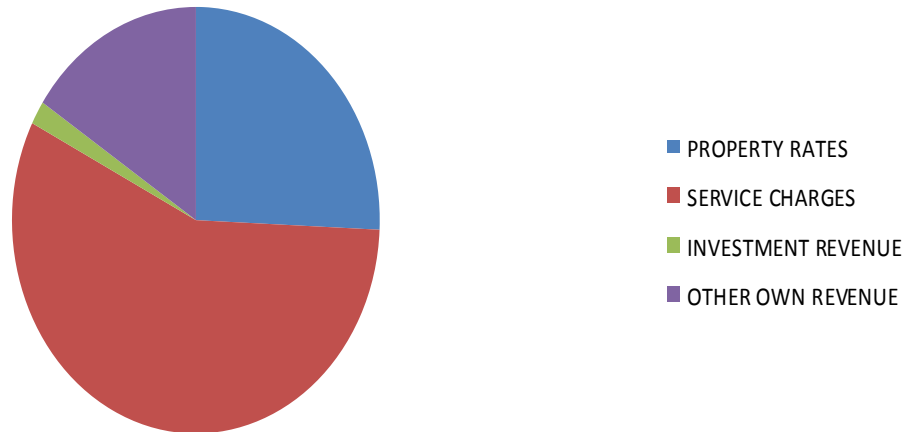
TOTAL EXPENDITURE 2013/2014



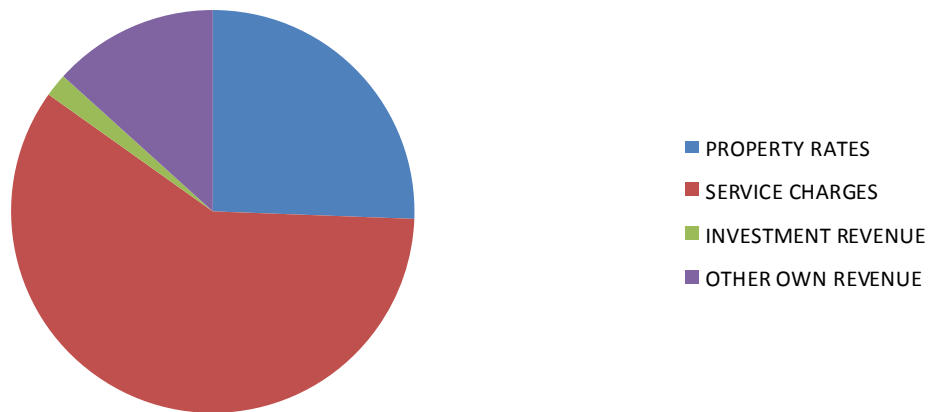
TOTAL EXPENDITURE 2014/2015



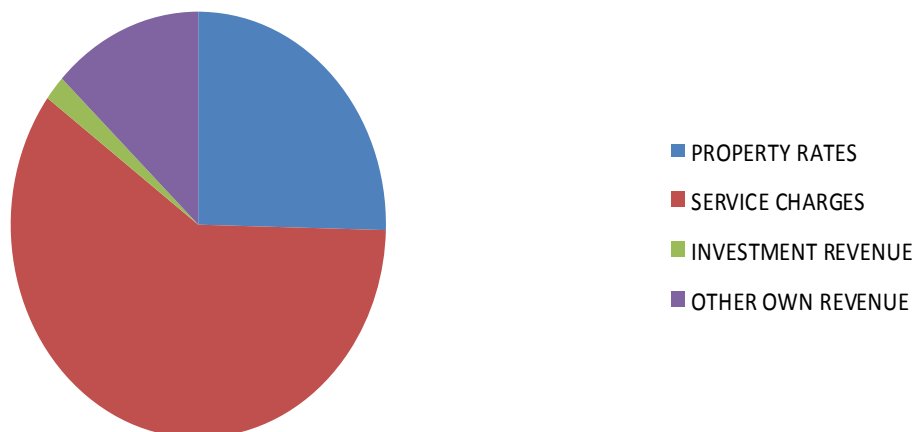
MAJOR REVENUE SOURCES 2012/2013



MAJOR REVENUE SOURCES 2013/2014



MAJOR REVENUE SOURCES 2014/2015



KEY ASSUMPTIONS

- ***DoRA (DoRB)***

All National and Provincial Grant allocations have been taken into account.

- ***Inflation***

The inflation rate used for calculating salary/wage increases for all employees, excluding Section 57 employees, is as per the SALGA Salary & Wage Collective Agreement 2010/2011 to 2012/2013. The outer years have been budgeted at 6% escalation.

For specific budget assumptions used in the MTREF, please refer to the related Annexure.

PAST PERFORMANCE HIGHLIGHTS

KDM received an unqualified audit report on the 2010/2011 AFS.

ALIGNMENT WITH GOVERNMENT PRIORITIES

The following priorities have been incorporated into the Draft MTREF 2012/2013 to 2014/2015:

- ***National Priorities***

The President's 2012 State of the Nation Address indicated that local government has an obligation to:

1. Creating Decent Work Opportunities
2. Education
3. Fighting Crime
4. Health
5. Rural Development & Land Reform

The National Budget Review 2012 state that local government must:

1. Enforce financial discipline; on budget spending and sound cash management
2. Ensure enhanced service delivery and communities receive value for money
3. Improve support and reporting
4. Provide decent and sustainable jobs (especially in Health and Education)
5. Ensure further economic growth
6. Develop infrastructure

- ***Provincial Priorities***

The Draft MTREF and IDP are aligned with the KZN Provincial Growth & Development Strategy. This strategy involves:

1. Strengthening and building government to facilitate sustainable development, public participation in decision making, implement performance driven transformation and co-operative governance
2. Improve and expand basic service delivery for a better quality of life for all
3. Implement economic programmes to raise investments, increase exports and capitalise on provincial resources, strengths and synergies
4. Create programmes to increase employment opportunities, access to finance, human capacity and skills development, that also addresses the challenges of the second economy
5. Reduce poverty and increase vulnerable groups' access to social security nets and services
6. Comprehensively address the spread of HIV/AIDS pandemic and the associated economic and social impacts
7. To manage, preserve and enhance the natural environment and comprehensively address an environmental management system for sustainable development.

- ***District Priorities***

The Draft MTREF and IDP have taken the strategic goals of the iLembe IDP into consideration, which include:

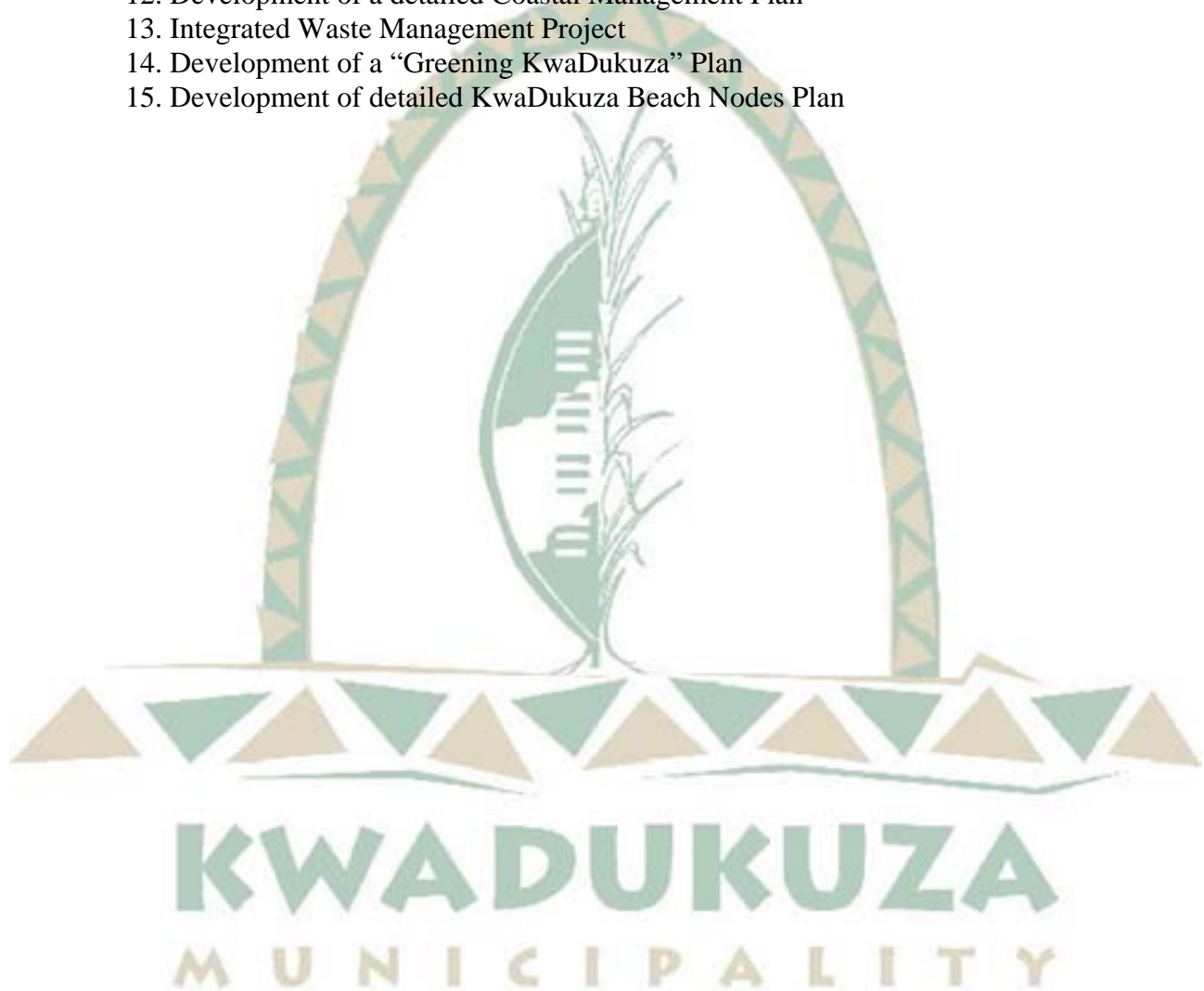
1. Promoting investment and development
2. Introducing incentives that attract development initiatives
3. Establishing and promoting PPPs
4. Preserving and protecting the natural environment
5. Promoting cultural, community based tourism and integrated tourism development
6. Establishing co-operatives that maximise economic opportunities in the agricultural sector

- ***IDP Priorities***

The key IDP projects for the next 5 years are:

1. Building the Civic Complex
2. Revitalisation of the KwaDukuza CBD
3. Planning & Development for Light Industry Development in the remainder of Charlottdale
4. Implementation of the Land Use Management Systems (LUMS)
5. Development of the Shakaskraal Node Urban & Development Design Framework
6. Development of the KwaDukuza Social & Community Facility Study
7. Geographical Information Systems (GIS) Implementation (Phase 2)
8. Development of the Darnall Node Precinct Plan
9. Development of the Ballito CBD Urban Design Framework

10. Development of the Grouville Node Precinct Plan
11. Development of the uMhlali Urban Design & Development Framework Plan
12. Development of a detailed Coastal Management Plan
13. Integrated Waste Management Project
14. Development of a “Greening KwaDukuza” Plan
15. Development of detailed KwaDukuza Beach Nodes Plan





ANNEXURE D

ANNUAL BUDGET TABLES

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Changes in the Basis of Measurement

There were no changes made to the basis of measurement used by KDM in determining the current budget.

Changes in Accounting Policies

There were no changes made to the accounting policies implemented by KDM in determining the current budget.

Table Reference

- Table A1 (Budget Summary)
- Table A2 (Budgeted Financial Performance – Revenue & Expenditure by Standard Classification)
- Table A3 (Budgeted Financial Performance – Revenue & Expenditure by Municipal Vote)
- Table A4 (Budgeted Financial Performance – Revenue & Expenditure)
- Table A5 (Budgeted Capital Expenditure by Vote; Standard Classification & Funding Source)
- Table A6 (Budgeted Financial Position)
- Table A7 (Budgeted Cash Flows)
- Table A8 (Cash-backed Reserves / Accumulated Surplus Reconciliation)
- Table A9 (Asset Management)
- Table A10 (Basic Service Delivery Measurement)

Supporting Documentation

- Table SA1 (Supporting Detail to Budgeted Financial Performance)
- Table SA2 (Matrix Financial Performance Budget)
- Table SA3 (Supporting Detail to Budgeted Financial Position)
- Table SA4 (Reconciliation of the IDP; Strategic Objectives & Budget - Revenue)
- Table SA5 (Reconciliation of the IDP; Strategic Objectives & Budget – Operating Expenditure)
- Table SA6 (Reconciliation of the IDP; Strategic Objectives & Budget – Capital Expenditure)
- Table SA7 (Measurable Performance Objectives)
- Table SA8 (Performance Indicators & Benchmarks)
- Table SA9 (Social; Economic & Demographic Statistics and Assumptions)
- Table SA10 (Funding Measurement)
- Table SA11 (Property Rates Summary)
- Table SA12 (Property Rates by Category)
- Table SA13 (Property Rates by Category)
- Table SA14 (Household Bills)

- Table SA15 (Investment Particulars by Type)
- Table SA16 (Investment Particulars by Maturity)
- Table SA17 (Borrowing)
- Table SA18 (Transfer & Grant Receipts)
- Table SA19 (Expenditure on Transfers & Grant Programme)
- Table SA20 (Reconciliation of Transfers; Grant Receipts & Unspent Funds)
- Table SA21 (Not applicable – KDM does not make any transfers or provide grants to other Organs of State)
- Table SA22 (Summary of Councillor & Staff Benefits)
- Table SA23 (Salaries, Allowances & Benefits of Political Office-bearers, Senior Management & Councillors)
- Table SA24 (Summary of Personnel Numbers)
- Table SA25 (Budgeted Monthly Revenue & Expenditure)
- Table SA26 (Budgeted Monthly Revenue & Expenditure: Municipal Vote)
- Table SA27 (Budgeted Monthly Revenue & Expenditure: Standard Classification)
- Table SA28 (Budgeted Monthly Capital Expenditure: Municipal Vote)
- Table SA29 (Budgeted Monthly Capital Expenditure: Standard Classification)
- Table SA30 (Budgeted Monthly Cash Flow)
- Table SA31 (Not applicable – KDM has no municipal entities at present)
- Table SA32 (List of External Mechanisms)
- Table SA33 (Contracts having Future Budgetary Implications)
- Table SA34a (Capital Expenditure on New Assets by Asset Class)
- Table SA34b (Capital Expenditure on Renewal of Existing Assets by Asset Class)
- Table SA34c (Repairs & Maintenance Expenditure by Asset Class)
- Table SA34d (Depreciation Expenditure by Asset Class)
- Table SA35 (Future Financial Implications of Capital Budget)
- Table SA36 (Detailed Capital Budget)
- Table SA37 (Projects Delayed from Previous Financial Year)

